

106TH CONGRESS
2D SESSION

S. 2897

To amend the Internal Revenue Code of 1986 to allow the use of completed contract method of accounting in the case of certain long-term naval vessel construction contracts.

IN THE SENATE OF THE UNITED STATES

JULY 20, 2000

Mr. ROBB (for himself Mr. BREAUX, Ms. LANDRIEU, Ms. SNOWE, and Mr. WARNER) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to allow the use of completed contract method of accounting in the case of certain long-term naval vessel construction contracts.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. MODIFICATION OF ACCOUNTING RULES FOR**
4 **CERTAIN NAVAL LONG-TERM CONSTRUCTION**
5 **CONTRACTS.**

6 (a) IN GENERAL.—Section 460(e)(1) of the Internal
7 Revenue Code of 1986 (relating to exception for certain
8 construction contracts) is amended by striking “or” at the

1 end of subparagraph (A), by striking the period at the
 2 end of subparagraph (B) and inserting “, or”, and by in-
 3 serting after subparagraph (B) the following new subpara-
 4 graph:

5 “(C) a qualified naval construction con-
 6 tract for which an election is made under para-
 7 graph (7).”.

8 (b) QUALIFIED NAVAL CONSTRUCTION CONTRACT.—
 9 Section 460(e) of the Internal Revenue Code of 1986 is
 10 amended by adding at the end the following new para-
 11 graph:

12 “(7) QUALIFIED NAVAL CONSTRUCTION CON-
 13 TRACT.—

14 “(A) IN GENERAL.—A taxpayer may elect
 15 to use the completed contract method of ac-
 16 counting with respect to any qualified naval
 17 construction contract.

18 “(B) DEFINITION.—For purposes of para-
 19 graph (1), the term ‘qualified naval construc-
 20 tion contract’ means a contract—

21 “(i) entered into by the taxpayer with
 22 the Federal Government for the building,
 23 construction, reconstruction, or rehabilita-
 24 tion of a naval vessel, and

1 “(ii) which the taxpayer estimates (at
2 the time such contract is entered into) will
3 be completed more than 24 months after
4 the contract commencement date of such
5 contract.

6 “(C) EFFECT OF ELECTION.—An election
7 under this paragraph shall apply to all con-
8 tracts of the taxpayer which are entered into
9 during the taxable year in which the election is
10 made or any subsequent taxable year.

11 “(D) SEPARATE CONTRACT.—For pur-
12 poses of applying this paragraph, in the case of
13 a qualified naval construction contract which
14 covers more than 1 vessel, each vessel covered
15 by the contract shall be treated as covered by
16 a separate contract.

17 “(E) EARNINGS AND PROFITS.—Section
18 312(n)(6) shall not apply to a taxpayer which
19 has made an election under this paragraph with
20 respect to a qualified naval construction con-
21 tract.”.

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section shall apply with respect to contracts entered
24 into on or after January 1, 2000.

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